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11 June 1952

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OCI No. 6417

Copy No. 267

CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

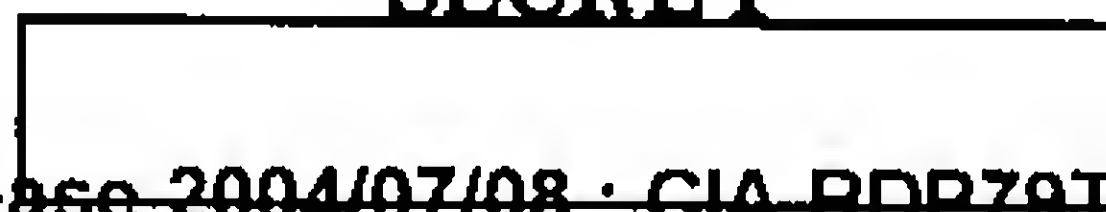
CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. NATO consultation on Middle East matters urged by Netherlands representative: The Netherlands permanent representative believes that there should now be full NATO discussion of problems in the Near East and Mediterranean and a report on developments in the Middle East Command. While recognizing the primary interest of Britain and the United States in the command problem, he pointed out that this area had assumed added importance for the North Atlantic Council since the admission of Greece and Turkey to NATO and that other NATO powers were by no means uninterested. [REDACTED]

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Comment: This bid for more NATO discussion of matters of common concern follows closely on the Norwegian complaint about lack of discussion of Western replies to the Soviet notes on Germany. It further exemplifies the chronic displeasure of the smaller NATO countries with the failure of the big powers to consult them.

Middle East Command plans are scheduled to be discussed first among the US, Britain, France, Turkey and the interested dominions.

SOVIET UNION

2. Ambassador Kennan comments on TASS denial of Stalin interview on Oder-Neisse line: In commenting on the 7 June TASS denial of a Stalin interview implying that the Polish-German frontier was a subject for negotiation with a "neutral Germany," Ambassador Kennan observed from Moscow that the device of a denial is a time-honored Soviet practice. Such denials appear

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to be issued by the USSR when the Kremlin wishes to evade formal responsibility but wants its views known to a specific audience.

The Ambassador believes that the USSR intended to convey that the Oder-Neisse line is at present the established border and that Stalin does not wish to discuss the issue or commit himself at this time. The Ambassador further notes that eager Satellites are put on notice not to take the policies of the Kremlin for granted. [REDACTED]

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Comment: Neither TASS nor Polish press comment carried the details of Stalin's alleged statement to Polish correspondents.

3. Motor vessels dispatched to Soviet Far East: A US Naval Mission in Southeast Asia reports that four Russian motor ships arrived in Singapore on 2 June and departed four days later for Korsakov on Sakhalin Island.

The source states that each vessel carried a cargo of canned foods, and that, including these latest arrivals, 25 of these type ships have passed through Singapore en route to Korsakov. [REDACTED]

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Comment: About twenty ships of 1194 tons each are known to have been constructed in Budapest and to have been delivered to the USSR. These ships have diesel engines, are probably strengthened for ice operations, and are economical to operate. They are thus particularly suitable for service in the waters of the Soviet Far East.

4. Soviet State farm amalgamation program remains static: A recent article in a Soviet publication by an official in the Ukrainian State Ministry of Farms proposed amalgamation of state farms as one of the several measures to streamline the organization and increase the profitability of such farms in the Ukrainian Republic.

The official estimated that this would reduce total state farm administrative-management expenditures in the Ukrainian Republic by 3½ million rubles a year, and release some 350 specialists and administrative workers for employment elsewhere. [REDACTED]

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Comment: The Embassy observes that press references to the merger of state farms have been rare even during the height of the widely publicized campaign for amalgamation. The Embassy notes that so far this year two items on this subject have appeared urging amalgamation in Leningrad Oblast and in the Ukraine. Both accounts indicate that little has been done as yet in either area.

EASTERN EUROPE

5. Bulgarian press scores failures in youth indoctrination program: Rabotnichesko Delo, the Bulgarian Communist Party newspaper, has attacked the Dimitrov Union of People's Youth and the Sofia Ministry of Education for their "completely unsatisfactory" efforts in selecting competent leaders for the Bulgarian children's organization, the Septemvriyche Pioneers. Several other organizations, including the Supreme Committee for Physical Culture and Sport and the Committee for Science, Art and Culture were also criticized for their lack of assistance "in educating our children in the Communist spirit." [REDACTED]

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Comment: Recently, the Communist Party of Bulgaria has laid strong emphasis upon the necessity of improving ideological work, particularly in the cultural and educational fields. This theme was particularly apparent during the Fatherland Front Congress held in May.

In February, the chairman of the Committee for Science, Art and Culture and the Minister of Education were replaced, presumably as a result of dissatisfaction with their handling of Bulgaria's cultural and educational indoctrination campaigns.

6. American aircraft probably did not overfly Hungary on 28 May: The American Embassy in Belgrade reports that the Yugoslav Foreign Ministry disclaimed knowledge of an alleged overflight by an American plane over Hungarian territory on 28 May. The ministry promised to inform the embassy in case it received information. [REDACTED]

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Comment: The US Legation in Budapest on 4 June reported receipt of a Hungarian note protesting, in unusually courteous terms, the overflight of an American C-46 two-engined aircraft en route to Yugoslavia.

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The USAFE Tulln airbase has stated that such aircraft are not used by the US Air Force anywhere in Europe, but suggested that the Israeli airlines fly this type of aircraft with scheduled flights in that general area.

7. Local "self-taxation" established in Rumania: A Rumanian decree of last January makes it possible for people's councils to levy special taxes for local improvements, according to the American Legation in Bucharest. Under this "self-taxation" system, people's councils may, with the approval of local town meetings, collect up to 90 lei (approximately \$8.10) per capita and use locally available materials for such improvements.

The legation notes that this measure provides for substantially increasing communal expenditures beyond those envisaged in the national budget and also furnishes a device for blunting criticism of the national administration's failure to provide local improvements. [REDACTED]

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8. Tito regime introduces further agrarian liberalization: In an apparent effort to appease independent peasant opposition and lessen Western criticism, the Tito regime has abolished compulsory delivery of wheat, rye, corn, oats, and barley, leaving only wool subject to such regulations. American Embassy officials point out, however, that the private peasant is still vulnerable to heavy taxation. [REDACTED]

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Comment: The abandonment of compulsory grain deliveries while continuing high taxation is intended to increase grain production and make cooperative farming more attractive to the individual peasant.

During the past year, the regime's agrarian policy has been characterized by efforts to hold the line on collectivization against the pressure of peasant opposition and foreign criticism. There are strong indications that the party may emphasize the advantages of the general type of cooperative in an attempt to increase production and introduce the collective method to private peasants.

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FAR EAST

9. President Rhee rejects UNCURK's compromise recommendation:
President Rhee has reacted negatively to UNCURK's proposal of 7 June that a compromise solution be found to the political dispute, according to the commission's chairman. At a meeting with the commission on 9 June, Rhee's only interest was to get his constitutional amendments adopted. He quoted his Prime Minister as reporting that the Assembly is "coming around" to his viewpoint.

Ambassador Muccio comments that the statement allegedly made by the Prime Minister is not understandable in view of the fact that he had expressed doubt on 7 June that the Assembly opposition would be willing to compromise or capitulate. [REDACTED]

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11. Construction of new railway in West China begun: Chungking radio announced that construction work was underway on the Chengtu-Luehyang section of the Chengtu-Tienshui railway, a 470-mile line connecting Szechwan and Kansu Provinces. The Southwest China Engineering Bureau plans to begin laying rails in May 1953 and to complete a 73-mile stretch to Mienyang by November 1954. [REDACTED]

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Comment: [REDACTED]
[REDACTED] The equivalent of 10,000,000 dollars was being allocated for work on this railroad in 1952, and its completion deadline was 1954.

The Communists are planning to open two other lines in West China this year. They are the Chungking-Chengtu, to be finished this month, and the Tienshui-Lanchow in Kansu Province.

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12. Tibetan cabinet change strengthens Communist control:
The recent dismissal of Tibetan Prime Minister Lukhang is thought to have weakened the elements opposing Chinese Communist policy in Tibet. Instead of appointing a new Prime Minister the Dalai Lama has now assumed direct control of the cabinet, which will be guided on all matters by Peiping's proconsul General Chang Ching-wu.

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Comment: The able and influential Lukhang was placed in charge of the Tibetan civil administration last fall, before the Dalai Lama's regime had ratified the Sino-Tibetan Agreement providing for Communist occupation of Tibet. He is said to have opposed Chinese policies in Tibet and to have been dismissed as a result of Communist pressure.

13. French officials interested in possible Japanese investment in Indochina: Many French officials are interested in the possibility of Japanese investment in Indochinese production of iron, coal, salt and phosphates, [REDACTED]

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The basis for such interest is not only the economic value of such investment for Indochina but the fact that it would provide Japan with an incentive for supporting the Western political position in the area.

The American Legation in Saigon, while noting the obvious desirability of this objective, observes that private French interests own concessions covering most proved mineral areas in Indochina. In the case of current salt negotiations, they have insisted on maintaining majority voting rights in any French-Vietnamese-Japanese company which might eventually be organized. [REDACTED]

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Comment: French business interests in Indochina have, up to the present, had the support of French officials in a policy designed to reserve for themselves so far as possible the Indochinese market and the exploitation of Indochinese resources.

SOUTH ASIA

14. Unrest in Nepal affects India's border security: The unrest now sweeping Nepal appears to have strong anti-Indian overtones which may vitally affect the security of India's northeastern frontier.

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Alleged "Communist bandits" raided eastern Nepal in mid-May. The disturbances later spread to include harassment of Indian landlords in western Nepal, a strike of low-paid government employees in telephone, mint, and press organizations in Katmandu and an anti-foreign, anti-government student demonstration in sympathy with the strikers. Some 70 persons were injured during the demonstration.

Political aspects of the unrest include the recent election to the presidency of the ruling Nepal Congress Party of B. P. Koirala, anti-Indian half brother of the present Indian-dominated Nepalese Prime Minister, and the dismissal of the pro-Indian Minister of Communications who protested the "undemocratic" nature of the election. An Indian mission reorganizing the Nepalese Army has also created ill will in military circles by suggesting that the number of generals be reduced from 30 to four.

The situation developing in Nepal seems to be similar to the one in Kashmir, where a nationalistic political regime originally supported by India has apparently become antagonistic toward India's proprietary attitude and, with Communist support, has embarked on a course of action increasing the insecurity along the border that India is trying to eliminate.

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WESTERN EUROPE

16. Adenauer's popularity rises: According to a reliable West German opinion survey agency, Chancellor Adenauer's successful direction of West German foreign relations is making him more popular. In April 1951 only 32 percent of the West German populace felt that he was a "good" chancellor; by May 1952, this figure rose to 51 percent. [redacted]

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Comment: These survey results corroborate the findings of recent local elections which indicated that Adenauer and his Christian Democratic Party are recovering from some of the losses suffered during the 1950 state elections. If Moscow continues to incense West German feelings with its scare program in Berlin, he and his party may become even more popular.

17. French may quell future Moroccan riots without loaded fire-arms: The French Director of Public Security in Morocco has discussed with Paris authorities the possibility of depriving Moroccan police of the means of killing possible rioters. The police would carry guns but no ammunition.

The Director cited an instance in which the shooting of demonstrators by police was attributable to the poor judgment of local Moroccan and French officials. [redacted]

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Comment: This report suggests that the French do not anticipate serious armed resistance in Morocco and are concerned over the adverse effect on foreign opinion of their handling of riots in North Africa.

18. OEEC approves basis for settlement of Belgium's EPU problem: The Ministerial Council of the OEEC has approved the basic points for the settlement of Belgium's problem as a persistent creditor nation in the European Payments Union.

Under the plan approved by the Council, Belgium will grant a further quota to the Payments Union. Against the amount of 180 million dollars owed Belgium as post-quota credits (since September 1951), the EPU will make a dollar payment of 80 million dollars to Belgium on 1 July. Another 50 million dollars of these credits will be paid by Great Britain and France by deliveries of military goods to Belgium within two years. The OEEC has proposed

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that, for the remainder, Belgium be immediately granted special dollar drawing rights on the International Monetary Fund. This latter recommendation is indispensable from the point of view of the Belgians, who will repay the Fund as Belgium receives EPU repayments. [REDACTED]

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Comment: Belgium is demanding dollar payments from the EPU because it has a chronic dollar deficit. At the same time it has been granting to the EPU export credits above its original 360-million-dollar quota, which was exhausted in September 1951. The Belgian public is deeply interested in the outcome of these negotiations, because of the government's difficulties in financing its extraordinary budget and rearmament expenditures. Although the OEEC proposals do not meet fully Belgium's "firm position" of late May, American officials in Brussels believe that, for domestic and international reasons, Belgium will continue its membership in the Payments Union.

19. Swedish Foreign Minister reaffirms foreign policy: Foreign Minister Uden, in reviewing Sweden's foreign policy at the Social Democratic Convention in Stockholm, reaffirmed Sweden's adherence to its alliance-free line. Denying that this position was negative, he stressed the positive, peaceful contributions which neutrality could make in a divided world.

Uden stated that the expansion of the Council of Europe to include military matters would probably result in "pushing Sweden out" of the organization. [REDACTED]

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Comment: Uden's renewed stress on Sweden's non-alliance course indicates that the Social Democrats intend to emphasize their foreign policy record in the September parliamentary elections.

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GENERAL

1. Ambassador Kennan emphasizes importance of Soviet overture on Korea: Assistant Secretary General Zinchenko's approach to an Israeli UN delegate suggesting a new formula for the Korean armistice negotiations is of major importance, in the opinion of Ambassador Kennan in Moscow. Zinchenko's suggestion appears aimed at a virtual cease-fire in Korea without final and formal agreement, the prisoner-of-war issue to be handled by an overt "agreement to disagree," and possibly by subsequent informal arrangements tending to minimize its importance.

The Ambassador believes that any solution of the prisoner impasse would have to be along some such line as that suggested by Zinchenko. [REDACTED]

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Comment: In addition to conveying a possible way around the prisoner-of-war impasse, the Soviet "feeler" to the Israeli delegate could be another effort to bring UN pressure to bear upon the United States to modify its stand in Korea. Reportedly, the Russian suggestion has already been echoed in part by other delegations.

NEAR EAST-AFRICA

2. American Ambassador concerned over apparent abandonment of Anglo-Saudi Arabian negotiations: The American Ambassador in Jidda has expressed concern over the apparent intention of the British Foreign Office to abandon direct negotiations with Saudi Arabia on the Persian Gulf boundary dispute and to return to negotiations through the normal diplomatic channels in Jidda which "failed so dismally in 1949." [REDACTED]

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Comment: Saudi Arabia strongly favors direct negotiations. It wants the Persian sheikhs, whose boundaries are involved, to be present in any attempted settlement of the dispute.

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